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MFC Services (AAL)

Its Growth and Impact



MFC

Abstract

MFC Services (AAL): Its Growth and Impact

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Evaluation of past and present operations of MFC Services (AAL) reveals many contributions of this regional cooperative to Mississippi and Louisiana agriculture. Its more significant contributions include introducing dolomitic limestone in place of sand as a carrier in fertilizer formulation; substantially reducing fertilizer prices to farmers; pioneering pelleted fertilizer; developing a program of least-cost feed formulation; introducing into the area the chill-pack process for handling broilers; developing management training programs to increase the pool of potential managers for local member cooperatives; and offering auditing, financial, and managerial advisory services to local cooperatives. In the future, MFC will emphasize forward integration in transportation and marketing services.

Key Words: cooperative impact, cooperative benefits, cooperative contributions, economic impact, cooperative services, cooperative effectiveness, farmer-member benefit, community benefit.

Preface

This study was conducted by the Department of Agricultural Economics of the Mississippi Agricultural and Forestry Experiment Station, Mississippi State University, under a cooperative research agreement with Agricultural Cooperative Service, U.S. Department of Agriculture, Washington, D.C.

It was one of several made under research agreements with funds authorized by Congress in 1977-78 to "study trends and effectiveness of the cooperative movement and assess the need for accelerating the promotion and development of cooperatives." Other cooperative impact studies completed include: *Moroni Feed Company: Impact of a Cooperative on Sanpete County, Utah;* *Randolph Service Company: Its Economic Impact;* *Economic Impact of Two Missouri Cooperatives;* and *Prairie Farms Dairy, Inc.: Economic Impact of a Dairy Cooperative.*

MFC Services (AAL), formerly Mississippi Federated Cooperatives, was a product of the early 1900's and has been a significant force in agricultural development in Mississippi and Louisiana and, to a lesser extent, Alabama. The phrase (AAL) appearing at the end of a cooperative's name indicates the cooperative is incorporated in Mississippi under the State's Agricultural Association Law.

This report describes the regional cooperative as it developed and as it operates today. MFC's development, influence, and impact on the economy and community are highlighted, along with changes in the agricultural sector.

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Highlights

MFC Services (AAL), is a federated and integrated regional cooperative serving farmers in Mississippi, Louisiana, and Alabama. The cooperative (referred to hereafter as MFC) provides farm supplies and grain-marketing services to members and other patrons. The organization has evolved into a major agricultural cooperative after its beginnings as part of Mississippi Farm Bureau.

During MFC's existence, agriculture in the region has changed. As agriculture changed, so did MFC. Cotton marketing was an early driving force as was the need for purchasing newly developed commercial fertilizer. MFC soon focused more on fertilizer supply and added other farm supply product lines. As interest in poultry and soybeans began to take hold, MFC became an integral part of these producing and marketing activities, while reducing its cotton-marketing operations.

Evidence of MFC's growth and development can be seen partially by growth in sales volume, which increased from \$50 million in 1960 to \$424 million in 1981. At the same time, net worth grew from about \$4 million to \$29 million.

Total patronage refunds have increased from \$368,000 in 1955 to more than \$8 million in 1981, and total retained equity through 1981 was more than \$18 million. Previously earned member equities have been revolved through 1973.

A survey of county extension agents revealed a fairly high degree of positive attitudes about MFC and respective local cooperatives covered by the survey. MFC's contribution to agriculture, farmer-members, and to the communities in the area was recognized by the survey respondents.

Contributions to nonmembers and communities also were recognized as positive benefits. Throughout its history, MFC management and board executives have been active in other agricultural organizations and community activities. Some have been leaders in Farm Bureau and other cooperatives, including the Farm Credit System.

MFC Services (AAL)

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AGRICULTURAL DEVELOPMENT TRENDS

In 1979, Mississippi ranked third in cotton production and fifth in broilers, rice, sweet potatoes, and watermelons (appendix table 1). Cotton was king in the 1920's and continued to be the primary cash crop into the 1960's. In 1930, 4.1 million acres of cotton were harvested. Since that time, however, cotton acreage has declined and other enterprises such as soybeans, rice, and catfish have entered a growth period (3, p. 1)¹.

As evidence of these changes, Mississippi farmers produced 118 million bushels of soybeans in 1979, making their State the eighth largest soybean producer in the United States. During the 1970's, soybean farmers apparently were getting good returns, attracting many other producers to soybean production. Many beef cattle and grade C dairy farmers planted soybeans on land previously devoted to forage crops.

During recent years, rice and catfish agricultural enterprises have grown and show promise for farmers in the Mississippi Delta. The Delta has ideal products characteristics, including suitable climate, near-level topography, heavy clay soils, and abundant ground water. The State had 7,000 acres of rice in 1950, compared with 250,000 acres in 1980.

No State produces more farm-raised catfish for food than Mississippi (6, p. 1) and (2, p. 2). Mississippi has moved from 4,500 acres of water in 1968 to an estimated 46,240 acres in 1981, with most of the growth occurring during the past 3 years.

Louisiana agriculture compared with that of Mississippi has similar changes and problems. Dr. Stephen D. Reiling and Fred H. Wiegmann in *Louisiana Agriculture Economics Trends and Current Status 1940-1977* state:

"Agriculture has made an important contribution to Louisiana's economic growth and history. Though the State's economy has become more diversified in recent years, many measures show that agriculture ranks as one of the State's most important economic activities. Agriculture is the base for a very large and complex supply-marketing 'agribusiness' sector involved in advertising, insuring, processing, storing, transporting, and selling farm supplies and farm products. Like farming, the agribusiness sector is growing and becoming increasingly sophisticated as it provides necessary support for the farm sector of the State's economy."

¹ Numbers in parentheses refer to the references at the end of this report.

Louisiana agriculture had total cash receipts for all commodities of more than \$1.4 billion in 1978. Ranked by size of cash receipts, major commodities include: (1) soybeans, \$439 million; (2) cattle and calves, \$193 million; (3) rice, \$180 million; (4) cotton, \$173 million; (5) dairy products, \$120 million; and (6) sugarcane and sugar, \$110 million (4, p. 5)

As in Mississippi, cotton historically has been a major cash crop in Louisiana. In 1979, 465,000 acres were harvested, with an average yield of 712 pounds of lint per acre. Today, 75 percent of cotton acreage is in the northeastern part of the State.

Sugarcane for sugar and seed has been a primary crop in the State for many years. Between 1940 and 1944, an average of 266,200 acres was planted, compared with 262,000 acres in 1979.

Soybeans played a major role in Louisiana agriculture in the 1970's. In 1979, 3.2 million acres were harvested, with an acreage yield of 28 bushels per acre. From 1940 to 1944, average acreage was only 31,800 acres, with 12.2 bushels per acre.

The Louisiana cattle industry has undergone changes similar to those in Mississippi. In 1979, all cattle and calves totaled 1.35 million, with a value of \$325 per head totaling nearly \$439 million. Beef cows accounted for 703,000 and milk cows, 127,000.

MFC SERVICES TODAY

MFC Services (AAL) is a regional supply and marketing cooperative serving farmers in Mississippi, Louisiana, and Alabama. However, most of MFC's activities take place in Mississippi. Its various activities, locations, and organizational structure are illustrated in figures 1 and 2. These illustrations also show types of products handled and services provided. Major groups of activities include poultry processing and marketing; farm supply sales, including its Clover brand fertilizer and Red Panther chemicals; grain marketing; and an international trade division.²

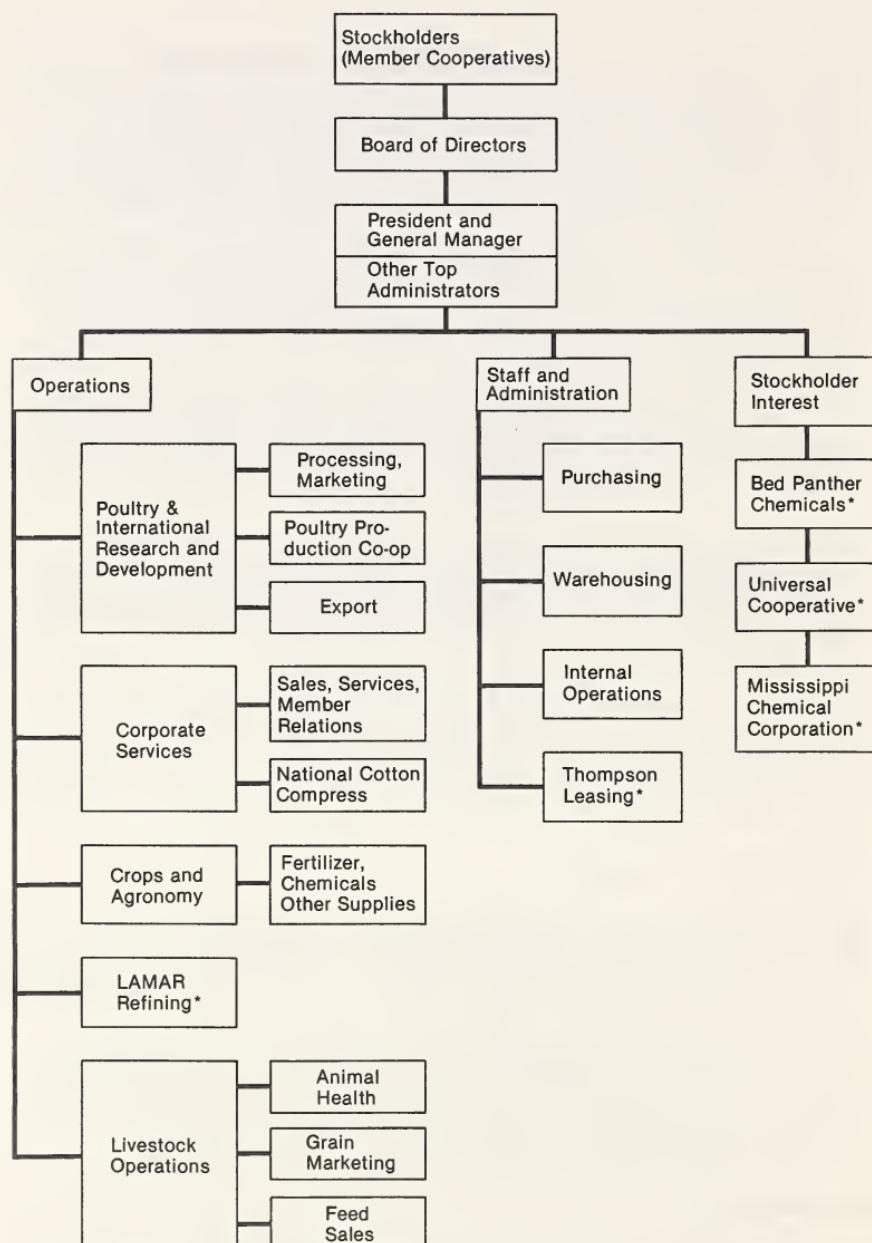
MFC Structure

MFC has evolved into an integrated system capable of serving both plant and animal agriculture (fig. 2). This integrated system is summarized by

²Since this report was prepared, poultry operations have been sold. Poultry activities are reported because they were a significant part of MFC's operations and impact.

Figure 1

Basic Organization of MFC Services (AAL), 1980



*Subsidiary or Affiliate

Figure 2

Member Cooperatives and Facilities



Legend:

- ★ MFC Services Headquarters
Madison, Miss.
- Member Cooperatives
(105 plus 40 Branches)
- A Clover Brand Feed Mills(7)
Arcola, La.
Chambers, La.
Lumberton, Miss.
Macon, Miss.
Magee, Miss.
New Albany, Miss.
Pelahatchie, Miss.
- B Farm Supply Central Warehouse
Madison, Miss.
- C Chemical Formulating Plant
Clarksdale, Miss.
- D Grain Elevators (2)
New Albany, Miss.
Pontotoc, Miss.
- E Seed Cleaning Plant
Belden, Miss.
- F Blend Fertilizer Plants(6)
Belden, Miss
Iowa, La.
Marks, Miss.
Mer Rouge, La.
Mowata, La.
Pontotoc, Miss.
- G Cotton Facility
National Compress in Drew, Miss.
- H Poultry Distribution Center
Jackson, Miss.
- I Hatcheries(2)
Collins, Miss.
Pelahatchie, Miss.
- J Collinswood Poultry Processing Plants(2)
Collins, Miss.
Pelahatchie, Miss.
- K Egg Grading Plants(3)
Collins, Miss.
New Albany, Miss.
Pelahatchie, Miss.
- L Egg Product Plants(2)
Canton, Miss.
Cullman, Ala.
- M Cold Storage and Rental Facility
Crystal Springs, Miss.
- N Traffic Service Centers(2)
Collins, Miss.
Pelahatchie, Miss.
- O Feed and Food Products Quality
Control Laboratory
Madison, Miss.
- P Central By-Products (affiliated)
Forest, Miss.
- Q Farmers Export Co. (affiliated)
Ama, La.

the following overview of the total organization, subdivisions, and members.

Affiliates and Subsidiaries Red Panther Chemical—jointly owned with Tennessee Farmers Cooperative and Alabama Farmers Cooperative.

Universal Cooperatives, Inc.—jointly owned by numerous cooperatives.

Mississippi Chemical Corporation—MFC is a major stockholder, along with other cooperatives and individual producer-members in the South.

Poultry Producers Cooperative—jointly owned by MFC and poultry producers. MFC is its marketing agent.

Cloverleaf Cooperative—geographic division covering Louisiana and the Delta region.

Thompson Leasing—leases rolling stock and office equipment primarily to MFC and its member cooperatives.

Lamar Refining—supplies petroleum products to MFC and members.

Members MFC is a federated cooperative with 102 member associations. Most members are local county cooperatives, some with grain-handling facilities. Some member cooperatives have one or more branch stores. (See fig. 2 for a listing.)

Within the grain division, some member cooperatives use only marketing services. MFC handles grain marketing, but the member does not buy farm supplies through MFC. Need for this type of membership arose when the local member supply cooperative was unable to supply marketing services but another area cooperative could furnish patrons grain-handling needs. In 1979, 8 cooperatives were “marketing members” and 10 local member cooperatives had grain-handling facilities.

Volume of Business

MFC’s gross dollar volume was more than \$376 million in 1980 and more than \$424 million in 1981. Various sectors generating these sales are shown in figure 3. General farm supplies normally account for about a fourth of the total, while poultry, egg, and international sales account for about another fourth.

While growth occurred in several activities, grain marketing for members has been a major growth sector. More than 10 million bushels were handled through MFC operations in 1979 and nearly 16 million bushels during fiscal years 1980 and 1981.

MFC's traditional role as a major input supplier is continuing. As shown in figure 3, combined total for general farm supplies, feed, and fertilizer was close to half the firm's sales volume. A consolidated statement of operations and margins for MFC and subsidiaries for 1979, 1980, and 1981 is shown in appendix table 2.

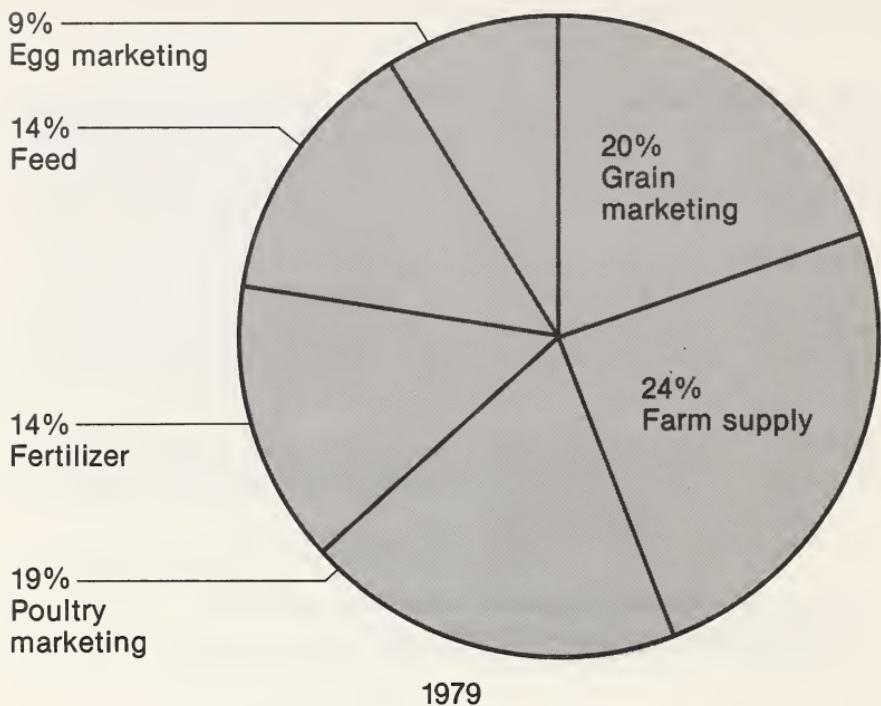
MFC's consolidated balance sheet shows these volumes are generated from \$147 million in assets. MFC's balance sheets for fiscal year 1979, 1980, and 1981 are shown in appendix table 3.

MFC Services member cooperatives provide virtually all supply products needed on the farm.

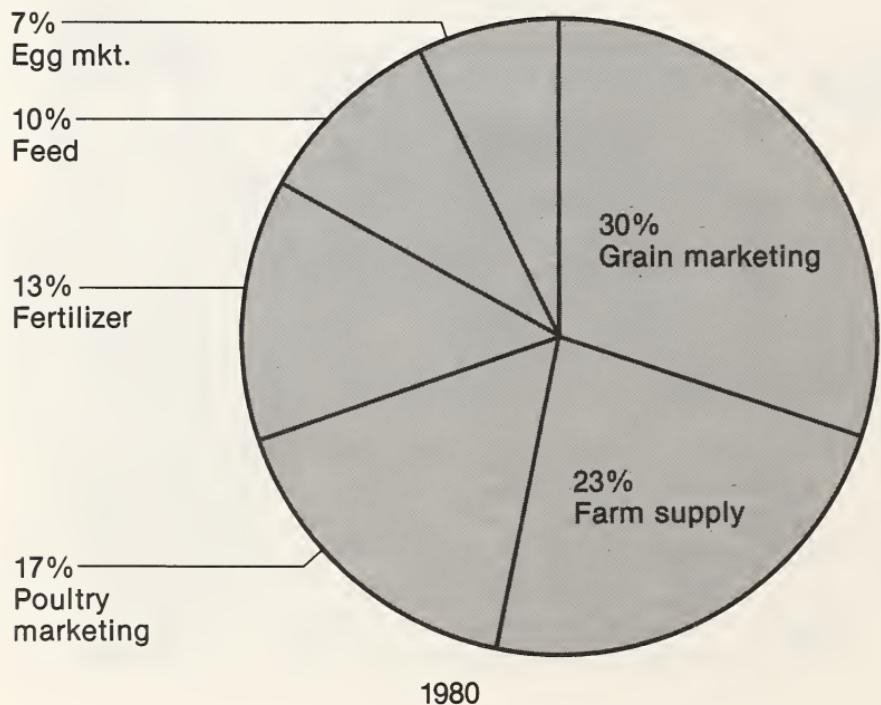


Figure 3

Relative Shares of Total Dollar Volume, by Divisions.



1979



1980

ORIGIN AND GROWTH

MFC emerged in the 1920's as an important organization providing much-needed services to members. The organization has continued to develop and grow, reflecting changing agricultural conditions and changing needs of farmer-members.

Early History³

American Farm Bureau Federation, organized in 1919, moved into Mississippi with economic plans. County units were organized chiefly to buy and sell cooperatively. Emphasis was placed on buying such inputs as fertilizer.

Initially, volume was small. County agents handled the business as a demonstration of what could be done, and little overhead expense was incurred. Between 1919 and 1928, county farm bureaus handled sales and purchases totaling more than \$32 million, with an estimated savings of more than \$4 million to farmers.

In 1920, visits were made to DuPont Chemical Corporation to purchase nitrate of soda from its mines in South America. Farmers began buying carloads of nitrate of soda cooperatively and later placed a 50,000-ton order arriving through Gulfport, Miss.

Nitrate of soda was reduced from \$75-80 a ton to \$52-55 and phosphate was reduced from \$18-20 a ton to \$14 largely through the Farm Bureau effort. By 1923, 19 county farm bureaus were providing fertilizer to farmers.

A significant year in Mississippi's agricultural history was 1922. The loosely knit county farm bureaus were incorporated into a statewide farm bureau federation. The organization was small but destined for rapid growth in cooperative purchasing and marketing, especially through its cotton-marketing subsidiary.

Cotton was still the lifeblood of Mississippi agriculture. The new Mississippi Farm Bureau Cotton Association went to work quickly in this area—bidding to sign up 10,000 cotton-marketing contracts in the hill counties for the 1922 crop. In 1929, the cotton association was reorganized under

³Based primarily on a manuscript prepared by E.G. Spivey and highlights from selected MFC annual reports and MFC newspapers.

Mississippi's new Agricultural Association Law and became Mississippi Cooperative Cotton Association (AAL).

In the early 1930's, it seemed all the gains farmers had made through education and cooperative buying and selling would be wiped out in the general economic collapse. However, creation of the Farm Credit Administration in 1933 provided much-needed assistance, and much of the earlier loss was regained.

In 1935, the marketing arm of the Mississippi Farm Bureau Federation became a separate entity, Mississippi Federated Cooperatives (AAL). By the end of 1935, MFC had some 65,000 members in 35 counties in the State.

Growing Years Initially, MFC's purchasing activities primarily included feed and fertilizer manufactured by other companies and seed. In 1938, MFC took the first steps toward manufacturing its own products. Using a converted concrete mixer, it began producing a high-quality plant food, using the best available dolomitic limestone as a base instead of the sand most fertilizer producers were using.

In 1942, MFC acquired a small fertilizer plant in Canton and began producing Clover brand fertilizer for farmers in central Mississippi. This plant's output and that of the earlier fertilizer plant in Laurel gave the cooperative a start toward becoming a sizable producer-distributor of fertilizer in Mississippi.

Clover brand fertilizer became a major item handled by local cooperatives. To meet the growing demand, MFC bought and renovated three fertilizer plants and built two plants. Its fertilizer program allowed member cooperatives to sell Clover brand fertilizers at competitive prices to farmer-patrons, with a provision for patronage refunds. This pricing policy, along with the high quality of the limestone-based mixture, forced other manufacturers to lower their prices and meet MFC's standards for quality. Walsh's analysis indicates increased competition from cooperatives and other manufacturers accounted for one-fourth of the 52-percent decline in the real price of fertilizer from 1936 to 1960. (7, p. 5).

In 1948, a farmer-owned nitrogen plant was established in Yazoo City, when Mississippi Chemical Corporation (MCC) was organized. MFC was an active supporter and major investor in the facility from the beginning. Nitrogen fertilizers had been selling at high prices, and many farmers were unable to obtain them. Increased farm production had reduced soil fertility, and a strong demand for nitrogen fertilizers had developed.

The new MCC plant brought stability to nitrogen fertilizer supplies and greatly reduced prices to farmers, partly through patronage refunds. MFC was one of the plant's larger customers, obtaining nitrogen for manufacturing Clover brand fertilizers.

Coastal Chemical Corporation, Pascagoula, also was formed. Coastal was established to manufacture newly developed high-analysis complete fertilizers.

MFC expanded its fertilizer line to include new products. High-analysis fertilizers were explored, and in 1950, the cooperative began manufacturing superphosphate at a new acidulating plant at Canton.

MFC later became the first manufacturer in Mississippi to produce pelleted fertilizer. It was offered in 1957, along with such innovations as convenient 50-pound bags.

In later years, it became apparent MCC and Coastal Chemical were in a better position to meet the fertilizer production needs of Mississippi than was MFC. The two companies were basic in nitrogen production and had excellent sources of other raw materials. While MCC and Coastal were able to provide farmers with quality products at competitive prices, MFC had an advantageous fertilizer storage and distribution system. MFC exchanged its fertilizer manufacturing facilities for stock in Coastal Chemical in 1962, becoming the largest single shareholder in the organization. MFC distributed MCC and Coastal products to provide the best service possible to member cooperatives and their patrons.

Many member cooperatives were offering custom fertilizer-spreading services, but they were not efficient. Bags had to be opened and loaded into spreaders by hand—a time-consuming and expensive task hampering efficient service and increasing the cost of custom application. To improve efficiency and lower costs, MFC promoted construction of bulk storage facilities at local cooperatives and services by railcars and bulk delivery trucks. MFC and MCC worked together in financing bulk storage and handling equipment with local cooperatives.

In the late forties and early fifties, MFC expanded into many areas of service. In 1949, it joined United Cooperatives, an interregional familiar to most MFC patrons as supplier of the broad line of Unico products.

Many local managers and patrons were interested in an MFC feed mill to provide high-quality feed at competitive prices, as their cooperative had

done with fertilizer. In the early fifties, MFC worked out an arrangement with Allied Mills of Ft. Wayne, Ind., so feeds could be bought and sold with provision for patronage refunds for MFC patrons. Later, MFC entered an agreement with another cooperative, MFA Milling Company of Springfield, Mo. However, transportation costs were high under those arrangements. MFC began to consider other ways to provide feed and services. Developments in poultry helped spur the feed program.

Most Mississippi consumers depended on eggs shipped from the Midwest during the late forties. This situation, coupled with MFC's new position as a feed supplier, led to development of a poultry and egg program. Forrest County Cooperative was the first MFC local to start a commercial egg and broiler program. Eggs were picked up at the farm, candled and graded, and packed in cartons for sale to area grocery stores.

In 1959, MFC took advantage of an opportunity to purchase the "Better Eggs" commercial egg operation. This was an integrated program, consisting of houses of layers and breeders, breeder pullet contracts, a small grading plant, and a feed mill.

The MFA Feeds program was not a successful part of the commercial contract poultry program operated by MFC. Local managers and patrons requested MFC build feed mills to serve the egg program and produce other feeds as well. The decision was made to build a sufficient number of mills smaller than those used by most major commercial feed producers, so no mill would be more than 50 miles away from its customers. This would allow feed to be moved in bulk from the mill to the farm, providing savings in bagging, transportation, and handling. In 1961, a feed division was organized and MFC mills were producing many types of feed.

Along with developing the feed mill program, MFC began a breeding program for laying hens and pullet grow-out program. The grading and marketing program was expanded, and a new egg-grading facility was built at Collins to replace the older one. A new grading plant was built at Canton, and the old facility was converted to an egg-products plant. As the poultry enterprises expanded, local cooperatives prevailed on MFC to provide coordinated processing and marketing facilities for poultry. A modern processing plant was constructed to process and market broilers for member cooperatives and independent producers.

Poor market conditions intervened, and many local cooperatives withdrew from the broiler-production program. As they withdrew, MFC assumed responsibility for the program to protect its investment in the processing

plant. It also protected producers who had made large investments in poultry production facilities to ensure operations would continue in later years.

A merger in 1962 between MFC and Gulf South, a federation of local cooperatives in Louisiana, was the beginning of operations in that State. To expand service into Louisiana and Alabama to meet the needs of a growing number of cooperatives, general-purpose feed mills were built in Arcola, La., and Macon, Miss. A poultry feed mill was purchased in Forrest County and a new mill opened in Magee to serve MFC's expanding broiler and egg programs. During the mid-1960's, particularly in 1964, a growing number of cooperatives in Louisiana joined the MFC regional.

In 1964, MFC purchased the National Compress at Drew, Miss., and a grain elevator at Clarksdale, Miss. While the elevator eventually was converted to a rice dryer serving Riceland Foods, the compress and warehouse continue to operate profitably.

MFC's expansion with Lamar Refining Company provided the opportunity for cooperatives to add gasoline and petroleum products to their operation. Tires, batteries, and other auto service supplies were added to the cooperative's inventories. The stock carried by locals and MFC expanded to include animal health supplies, chemicals, and more farm hardware.

With service extending into Louisiana and Alabama, the name Mississippi Federated Cooperatives no longer was appropriate. At the 1967 annual meeting, the name of the federation was changed officially to MFC Services, signifying it had become a regional farmer cooperative.

MFC began to expand its grain-marketing services in 1966 by joining other regionals in forming Farmers Export Company. An elevator was built on the lower Mississippi to handle grain exports from the Midwest as well as Mississippi and Louisiana. Since that time, MFC has increased its soybean marketings.

Other changes in the late sixties included refinery leasing to improve the cooperative's petroleum distributor position. Changes and additions continued into the seventies. Thompson Leasing Company was acquired to serve MFC's fleet and equipment needs and provide various trucks, spreaders, and bulk feed bodies, to local member cooperatives.

As crop production in the area shifted to soybeans and away from cotton, the organization continued to phase out its cotton program and look toward

opportunities to increase grain services to members. The opportunity arose in 1977 and Riverside elevators (formerly part of Cook Industries) was acquired. Fertilizer-blending facilities and three chemical-formulation plants were included in the acquisition, making the Red Panther brand an integral part of MFC's farm supply operation. Additions were made in the poultry division with hatchery and processing facilities, along with an egg-breaking operation.

An obvious growth area in the State was catfish production. A cooperative catfish feed mill was established, with MFC as a member providing management. When the mill became successful, stockholders were able to form their own management team.

A new direction was forthcoming—emphasis from farmer-members began to encourage development of more marketing services, which led to development of an international division. Early emphasis was placed on poultry exports. Then processed feed exports became part of the new export program.

During rapid development in the seventies, new office and warehouse facilities were constructed in Madison, providing more efficiencies and easier access. Facilities in downtown Jackson were old and crowded and the physical separation of materials ordering and handling was not efficient. The new facilities allowed for improvements in operational and informational efficiencies.

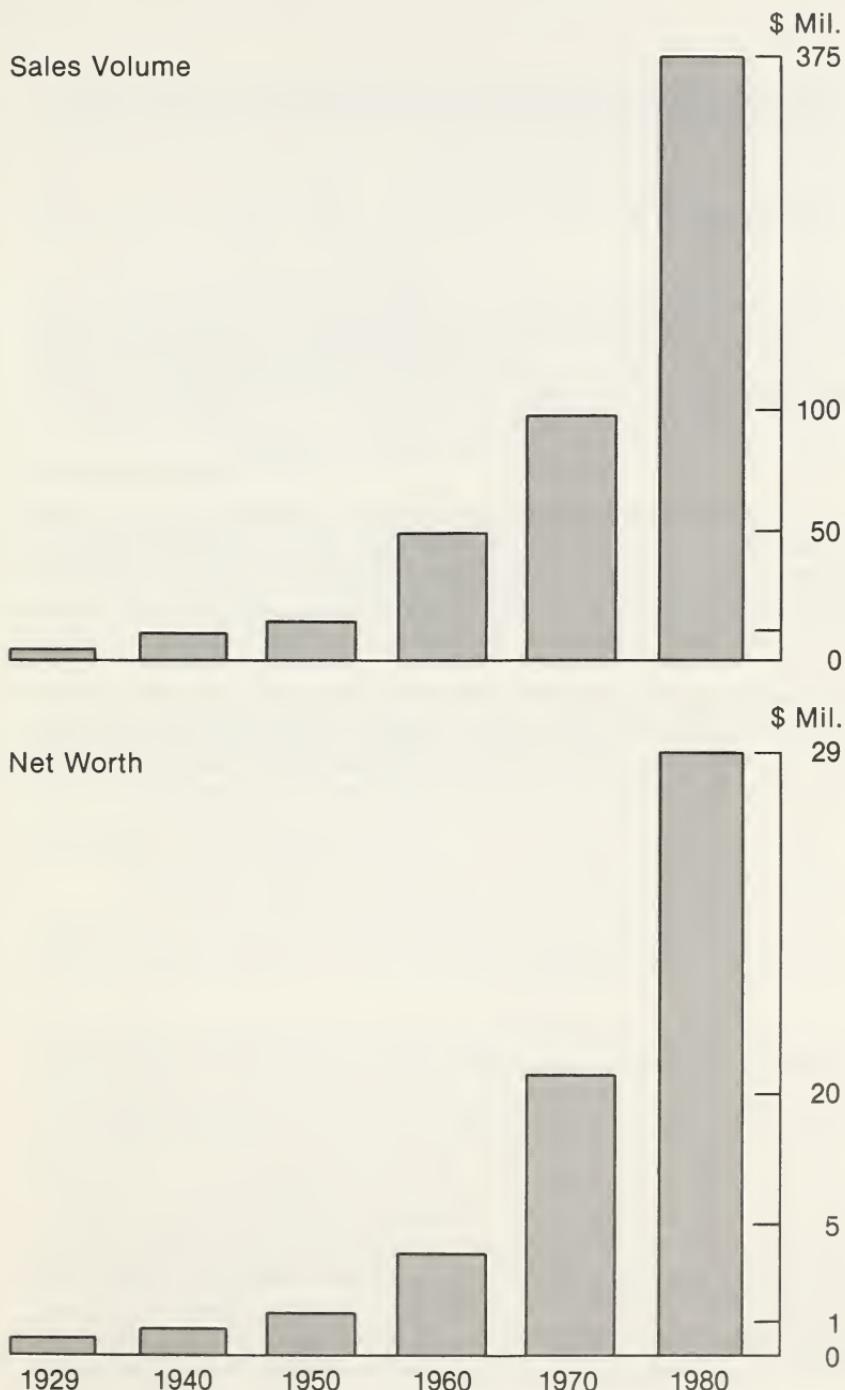
MFC growth and development are shown by the charts in figure 4, depicting total sales and net worth. Increased patronage refunds also are related to MFC's growth and development. Before 1964, combinations of cash, stock, and retained patronage were used to distribute net margins. For example, in 1955, about one-third was refunded in cash and about two-thirds distributed as stock to patrons (table 1). Patronage refunds increased

Table 1—Patronage refunds and distribution, MFC Services, selected years

Month and year	Paid in cash	Issued as stock	Allocated equity retained	Total patronage allocations
<i>1,000 dollars</i>				
May 1955	134.7	224.0	9.8	368.5
May 1965	1,275.4	—	720.0	1,995.4
May 1975	2,386.9	—	6,177.0	8,563.9
May 1981	2,050.7	—	6,652.6	8,703.3

Figure 4

MFC Services' Sales Volume, Net Worth



to nearly \$9 million in fiscal year 1981, with \$2 million paid in cash. Total retained equity through fiscal year 1981 was nearly \$19 million. All equity retained before 1973 has been revolved.

Division Highlights

Feed The cooperative started its feed purchases/sales program in the 1950's, fairly early in its development. MFC served mostly non-Delta areas generally characterized by small livestock operations and poultry producers. As MFC grew, it began to decentralize services to reduce truck fleet needs and distance traveled by trucks and customer-members. MFC was a leader in least-cost feed formulation, bulk feed delivery, and establishment of a quality control laboratory to properly monitor its products.

As farmers expanded into catfish production, a need developed for specialty catfish feed. MFC was instrumental in helping a group of catfish producers construct a cooperative feed mill. Cost to members was reduced through patronage refunds and commission rates, and production time was improved by adapting research results and quality control.

Animal Services Complementing the feed division is the animal service division, primarily serving members' needs for animal health products and information. It sponsors various education programs on disease, nutrition, and livestock management and wholesales animal health products.

A substantial portion of MFC's total annual sales volume, about 20 percent, was generated by the poultry and international division. The broiler complex was a vertically integrated system through the wholesaling/distributing phases. Most products were sold as store brands or under MFC's Collinswood label.

MFC was a leader in use of the chill-pack (crust frozen) process, which eliminated the need for ice in transporting products from the Collins facility. Acquisition of the Pelahatchie complex allowed the poultry operation to offer traditional ice-pack products still preferred by some poultry buyers.

Hundreds of small family farmers in Mississippi and Louisiana provided MFC with breeder birds, broilers, and eggs. These producers were paid a guaranteed rate, with the cooperative assuming market risks. The poultry business had had several price cycles, but producer-members usually received patronage refunds from net margins. However, the poultry division was sold during 1981-82 due to losses. Poultry operations had added strength and stronger purchasing power to MFC's overall feed-

manufacturing program and provided an income source for many contract producer-members.

Purchase of a plant in Cullman, Ala., doubled MFC's capacity for producing frozen and liquid egg products. Flexibility of processing dried whole eggs and yolk products then was available to MFC.

The overseas arm of MFC was fairly new and had worked to stimulate export sales of poultry products and feed. In addition, MFC made some of its technical expertise available to some foreign entities. Future emphasis will continue to be on chemicals, feed ingredients, and finished animal feeds.

Recent Developments

Recent economic conditions have affected all sectors of agriculture, including MFC Services. Losses over 2 years prompted MFC to sell its poultry operations. Other divisions were reporting successful operations, but depressed conditions in the poultry industry were causing a substantial drain on resources.

Inclusion of a feed-testing laboratory at MFC headquarters provided a new service to livestock producers. Much of cattle production depends on forage-feed systems. MFC started a new program in which producers' forages were analyzed for nutrient content. Additional feed needs could be formulated to provide a balanced ration. This service has helped improve members' production efficiency.

Expansion in lawn, garden, and turf products is serving a need for producer-members and nonproducers alike. As a general trend, homeowners are purchasing more of these products.

MFC has been assisting local stores in searching for managers for several years. This program was overhauled and strengthened in the mid-seventies. Several trainees were hired annually and eventually placed in local management positions, according to the wishes of the local board. In this way, MFC maintains a pool of trained employees who can be recommended to local cooperative boards.

MFC now plays a role in producing, processing, and distributing certified soybean seed. The firm contracts with seed producers, processes seed, and distributes a quality product to member stores. In doing so, MFC works with Mississippi Seed Improvement Association, Mississippi Seed Testing Laboratory, and the Mississippi Department of Agriculture.

The chemical division has worked with Mississippi Cooperative Extension Service in contributing to chemical education programs, pest management workshops, and pest management consultants and licensing programs. The aim is to promote safer and more efficient use of chemicals.

MFC continues to provide needed services to its local store members, including auditing, financial, and managerial advisory services and the manager trainee program.

In general, MFC has diversified and helped to create a one-stop supply center, including hardware, automotive products, lawn and garden equipment, some household goods, and building materials.

Current and Future Emphasis

While MFC's basic thrust will remain in handling diversified farm supplies, the cooperative is evaluating other areas. Directors indicate marketing farm products should receive greater emphasis. Possibilities for more forward integration into transportation and marketing services are being evaluated. As feasible alternatives become available, the cooperative will work to gain producer commitment, so the organization can be a significant factor in improving members' marketing position.

MFC will continue to appraise its activities and take necessary steps to maintain and operate for the benefit of its members. As noted previously, some changes may be divestitures. Other changes are directed toward improving operational efficiencies such as redesigning warehouse operations for better inventory control and product flow. Additional work will be done with the computer system so more local managers can use the efficiencies in the central office.

As shown by MFC's response to past changes in agricultural sectors and markets, the cooperative probably will continue to evolve and adapt for overall benefits to its diverse membership.

COOPERATIVE IMPACT

Economic

MFC Services has provided significant benefits to members and Mississippi agriculture. Patronage refunds, \$8.7 million in fiscal year 1981, have provided members additional income on products marketed and supplies purchased. Growth of MFC has provided new and expanded services that have helped members adjust to a changing agriculture. For example, as

cotton began to shift away from hill areas and decrease in acreage, MFC responded by moving toward needs of members who were becoming more involved in animal agriculture and soybeans. As a result, MFC assisted with the development of another, more specialized cotton-marketing cooperative and focused its efforts on other areas where members had a stronger need for products and services.

MFC Services expanded into Louisiana during recent years by accepting some local cooperatives into membership and operating some branch stores. Primary activities centered in farm supplies for the major row crops, feed, and some grain-marketing services. MFC Services is in a position to provide many needed products and services Louisiana producers will need to remain successful.

Fertilizer Case During the early seventies, agriculture experienced increasing variability in costs, product prices, and yields due to weather. Cooperatives also experienced more variability in operations. Low fertilizer prices led to increased exports of commercial fertilizer by several firms. However, during 1973, a severe shortage of nitrogen fertilizer developed. MFC and its supplier, MCC, elected not to export but to hold inventories for members. These products were placed on allocation to members only. While some firms increased prices to more than \$300 per ton, MFC kept prices at less than \$200 per ton and restricted sales to members. Thus, although market prices were high and supplies were short, MFC was able to furnish some fertilizer to its members. At times, only MFC members among area farmers were able to get nitrogen fertilizer at any price.

Extension Agents' Views

County agents in Mississippi were involved heavily in early development of MFC Services. County and State extension personnel have continued to provide needed advisory services to farmers and organizations serving them. Views about MFC's role and influence were sought through a mail questionnaire to all Mississippi county agents and those in Louisiana where MFC has outlets or other facilities. These county personnel were asked to evaluate MFC in light of some generally accepted views about cooperatives and their accepted goals and objectives.

More than 70 percent of the 73 agents responding rated MFC good or excellent as a useful business, citing high quality of products and services. Fifty percent strongly indicated cooperatives are one of the better tools for a farmer to use. More than half thought the county or local cooperative had an excellent or good effect on the county, that is on farmers and

community. A substantial majority of agents in Mississippi responded that MFC and local cooperatives rated fair, good, or excellent in providing services and meeting members' needs.

Slightly less than 50 percent rated MFC or its locals as doing an excellent or good job of helping members reduce cost and improve income. Two-thirds responded fair or better.

These agents were asked to give examples of effects the local cooperative or the regional had generated in terms of members, nonmember farmers, and the general community. Most comments about effects on members were positive, including "holding other stores in line," furnishing a "complete line of products," providing information to farmers, providing the only local elevator, favorable influence on price, and custom spreading services. Some negative responses were the cooperative's prices were high or the store did not do enough to help farmers.

Several agents saw no distinction between effect on members and that on area farmers in general. Reference again was made to some higher prices the cooperative charges, compared with those of noncooperatives. Other responses were similar to those about the effect on members—competitiveness, fairly complete line of products, and others.

Most agents indicated MFC or its locals had a positive community impact. Several replies referred to assistance with youth programs, livestock shows, area educational programs, other sponsorships of various civic programs, and employment benefits to their respective communities.

Agents in Louisiana where MFC had some type of facility were surveyed. MFC is relatively new in this area, compared with its history in Mississippi. However, opinion ratings as to achievement of cooperative principles and practices by the cooperative were similar to results in Mississippi. More than 50 percent rated the local facility and MFC as good or excellent.

Louisiana responses to questions on MFC's effects were more positive, compared with those from Mississippi. Most centered on positive aspects of stabilizing prices, offering more services, and having a more complete line of products. Statements about community impact were favorable and similar to responses from Mississippi county agents.

Nonmembers and Community

When county agents were contacted, they were asked to comment on aspects of MFC's impact on nonmembers. Several reported no particular

distinction between impact on member-producers as opposed to nonmember producers. Some agents noted the cooperative had a positive impact on price levels and competition in their respective areas and offered a variety of products for all producers. A few agents noted prices were high in some cases for all farmers in the area.

Most agents reported the local cooperative had a positive community impact. Main areas were sponsorship of educational meetings for farmers, assisting youth programs, sponsoring civic activities, and other general educational programs.

MFC's Community Impact MFC contributes a great deal to the economy of the two States it primarily serves, but especially that of Mississippi. Some localities certainly benefit more than others through employment and taxes paid, among other factors. Table 2 provides data for 1977 and 1978, which serve to illustrate much of the regional's direct contribution.

Although the multiplier effect is not known, impact of payroll, purchases, and taxes is more than that of the direct payment for these goods and services. Addition of similar effects from the 102 locals also should be considered.

Managers, division heads, and several employees in the regional and in the locals contribute to their communities through civic organizations. While the monetary value is not measurable, these activities by personnel in cooperatives have a positive community effect.

Another element of influence is added stability in rural communities by

Table 2—Selected payroll, purchases, and taxes, MFC Services

Item	Year	
	Ending May 1977	Ending May 1978
<i>Dollars</i>		
Payroll	13,160,185	16,743,174
Utilities purchased	1,571,660	1,917,631
Office supplies purchased locally	248,777	456,578
Equipment purchased locally	1,376,782	1,480,920
Ad valorem taxes	178,377	280,131
<i>Number</i>		
Persons employed	2,144	2,639

having the cooperative serving several classes of patrons. Farmers, small and large, and nonproducing patrons all are in a position to receive benefits from the local cooperative.

Most division executives and department heads participate in various committee activities and trade organizations. Some of these include Mississippi Council of Farmer Cooperatives, Mississippi Economic Council, Farm Credit Board, and Tri-State Committee for Cooperative Research and Education. Thus, MFC's executive personnel assist general agriculture in addition to their direct contribution to MFC Services.

It is fairly obvious members, nonmembers, and some communities directly benefit by the presence and operations of MFC and its local members. Positive effects were noted by county agents expressing a high regard for the cooperative's influence on Mississippi and Louisiana agriculture. However, the task of this regional cooperative is to help its members derive future benefits.

A few agents had only a limited knowledge of MFC. The organization will need to increase its educational efforts, along with maintaining competitive price structures and improving operating efficiency to continue to serve its members effectively.

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APPENDIX TABLES

Appendix table 1—Mississippi's production and rank in crops and livestock, among States, 1979

Crops	Production (thousands)	Unit	Rank
Cotton	1,437	Bales	3
All rice	8,384	Hundredweight	5
Sweet potatoes	792	do.	5
Watermelons	1,035	do.	5
All pecans	2,500	Pounds	8
Soybeans	118,900	Bushels	8
Peanuts	16,185	Pounds	10
Sorghum	1,452	Bushels	17
Peaches	3,000	Pounds	31
All hay	1,287	Tons	30
Corn	5,720	Bushels	32
All wheat	3,680	Bushels	32

Livestock	Production (thousands)	Unit	Rank
Broilers	276,858	Number	5
Eggs	1,653,000	do.	15
All cattle and calves	1,810	do.	23
Beef cows	901	do.	14
Hogs and pigs	440	do.	22
Milk cows	100	do.	28
Milk	814,000	Pounds	33

Source: 3.

Appendix table 2—MFC Services (AAL) and subsidiaries, consolidated statement of operations and margins for the years ended May 31, 1979-1981

Item	1981	1980	1979
<i>1,000 dollars</i>			
Volume:			
Purchases by patrons and products marketed	409,491	361,088	305,454
Sales by subsidiaries	14,802	15,164	10,841
Lease income	193	79	76
	<hr/>	<hr/>	<hr/>
	424,486	376,331	316,371
Cost of purchases by patrons, products marketed and sales	<hr/>	<hr/>	<hr/>
	396,433	353,270	292,985
Gross margin	<hr/>	<hr/>	<hr/>
	28,053	23,061	23,386
Other operating revenue	<hr/>	<hr/>	<hr/>
	2,958	3,038	9,976
Gross margin and other operating revenue	<hr/>	<hr/>	<hr/>
	31,011	26,099	33,362
Operating expenses	<hr/>	<hr/>	<hr/>
	30,082	28,929	26,200
Operating margin	<hr/>	<hr/>	<hr/>
	929	(2,830)	7,162
Other revenues (expenses)	<hr/>	<hr/>	<hr/>
	671	(1,798)	1,693
Margin before provision for income taxes and extraordinary items	<hr/>	<hr/>	<hr/>
	1,600	(4,628)	5,469
Provision (credit) for income taxes	<hr/>	<hr/>	<hr/>
	(628)	(96)	3,350
Margin before extraordinary items	<hr/>	<hr/>	<hr/>
	2,228	(4,532)	2,119
Extraordinary item			
Reduction in income taxes resulting from a carryover of a net operating loss	<hr/>	<hr/>	<hr/>
	—	—	2,379
Net margin (loss)	<hr/>	<hr/>	<hr/>
	2,228	(4,532)	4,498

Appendix table 3—MFC Services (AAL) and subsidiaries, consolidated balance sheet, May 31, 1979-81

Item	1981	1980	1979
<i>1,000 dollars</i>			
Current assets:			
Cash on hand and on deposit	1,492	503	2,569
Accounts receivable (trade/net)	56,127	50,850	51,938
Notes and contracts receivable	1,127	1,807	1,742
Other receivables	2,700	2,944	2,153
Inventories	28,006	34,461	32,327
Prepaid expenses	457	495	812
Total current assets	89,909	91,060	91,541
Long-term receivables	2,603	2,059	1,732
Investment at cost	26,196	24,314	22,446
Fixed assets:			
Land, buildings, fixtures, machinery and equipment, (net depreciation and amortization)	27,697	29,442	30,331
Other assets	541	800	1,230
Total assets	146,946	147,675	147,280
Current liabilities:			
Bank overdraft	—	1,018	—
Accounts payable	32,591	31,182	30,886
Accrued expenses	3,690	3,690	3,170
Notes and debentures payable	50,623	46,149	39,644
Provision for cash patronage payable	1,766	1,264	1,098
Provision for income taxes	—	256	484
Other current liabilities	64	—	20
Total current liabilities	88,734	83,559	75,302
Long-term liabilities	28,895	33,521	34,749
Other liabilities	431	383	512
Deferred credits	129	125	127
Provision for income taxes	—	514	514
Minority interest	623	690	660
Stockholders' and patrons' equities:			
Capital stock			
Common: \$5 par value	1,808	1,808	1,808
Preferred:			
Class A"—\$25 par value	1,083	1,083	1,083
Class B"—\$100 par value	2,632	3,298	3,911
Class C"—\$100 par value	1,127	1,509	1,724
Class D"—\$1 par value	3	1	3
Class E"—\$100 par value	2,674	2,767	2,674
	9,327	10,466	11,203
Patrons' equities, undistributed margins, and retained earnings in subsidiaries	18,807	18,417	24,213
Total equity	28,134	28,883	35,416
Total liabilities and equity	146,946	147,675	147,280

Agricultural Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents obtain supplies and services at lower costs and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The agency publishes research and educational materials, and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.